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SOURCE Cheng-fu Yu-suan Hui-chi Chiao-ch'eng (Textbook on Government Budget Ac-
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 1952

PREPARATION AND APPROVAL OF CHINA'S BUDGET

Wang Feng-hsien
 Liu Wen-ch'uan

Government agencies at all levels must calculate in advance their antici-
 pated expenditures and income for the year. This budget will be calculated ac-
 cording to a fixed and orderly method, and must be approved in an orderly se-
 quence. The budget will show how much should be received by receiving agencies
 and how much will be spent by the disbursing agencies. In this way it can be
 guaranteed that national income and expenditures will be balanced at all times.
 The following four concepts should be included in the national budget:

1. Time period. The national budget must be based on a fixed time period
 so that expenditures and receipts will have a definite time framework for their
 calculation. This period will be called the fiscal (or budget) year.

2. Completeness. The complete budget must include all the income and ex-
 penditures for the fiscal year, including all those of subordinate agencies and
 offices, and both temporary and permanent items.

3. Legal study of budget. Like other laws, the national budget must un-
 dergo an examination of its legality before adoption. However, after adoption
 it must be rigidly followed and cannot be changed without following legal pro-
 cedures.

4. Publication. As soon as the budget receives legal approval, it must
 be published. This will show the details of the budget and assist individuals
 and organizations to understand their particular roles. For reasons of security
 and national defense, it is often necessary to replace actual figures with per-
 centages.

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During the four stages in the compilation of the final budget, it is referred to as follows: (1) Outline Budget. The Ministry of Finance shall draw up the figures for income and expenditure for the coming year based on the course of national development and on the reconstruction plans. After these figures are approved by the Government Administration Council they are referred to as the Outline Budget. (2) Draft Budget. All levels of the people's government shall draw up plans for receipts and expenditures based on the Outline Budget. Before approval, these plans are referred to as the Draft Budget. (3) Budget. After approval, the various plans of all levels of the people's government are referred to as the Budget. (4) Subdivided Budget. Within the scope of the approved budget, government agencies of all levels may subdivide their budgets by the month or by the season to facilitate implementation. Such a budget will be called the Subdivided Budget.

Within the scope of the compilation of the budget, there are three categories. (1) The General Budget. The general budget shall be drawn up by each government agency on each level and shall include all the budget items of said agency plus the budget items of all agencies subordinate to said agency. All agencies from the municipal level up will draw up such budgets. (2) Unit Budgets. All units directly connected to a government agency shall compile a budget which will include all the budget items of said unit plus the budget items of any unit subordinate to said unit. This budget will be known as the unit budget. (3) Secondary Unit Budgets. This is the budget drawn up by those units which are at the base of the chain of command. Secondary unit budgets shall be used by superior units in compiling the unit budgets, unit budgets shall in turn be used by the superior government agency in compiling the general budgets.

During the course of the budget year, there are three possible phases through which the budget can pass to meet existing conditions. During these phases the budget shall be called: (1) Basic Budget. This is the budget proper as it exists after approval and at the beginning of the budget year. (2) Increased Budget. If conditions necessitate, the budget may be revised upward during the course of the budget year to become the Increased Budget. (3) It may be revised downward to become the Decreased Budget.

In terms of geography, the budget may be divided into the central budget and the local budgets. The central budget will contain the income and expenditures of all levels of the central government. The local budgets will contain the income and expenditures of all agencies on the local levels, including the administrative area, the province (or municipality), the hsien (or municipality at the hsien level), etc. The full name for the above-named budgets will be Central (or Local) Administrative Budget. The budget for the autonomous regions is considered to be a local budget.

The national general budget is made up of the central budget, the administrative area general budget, the autonomous region general budgets, and the general budgets of the provinces and municipalities directly under the central government. Each of the general budgets below the central government level are in turn made up of the budgets of their subordinate agencies as described earlier.

The budget shall, for the most part, be drawn up in terms of people's currency with the yuan as the basic unit. For fractions of a yuan, add one yuan for fractions more than one-half and deduct one yuan for fractions of less than one-half. In certain cases where the budget may be calculated in terms of grain, the value of the grain shall be calculated in terms of yuan in accordance with the legal market value.

Time periods for the budget may be set up in several different ways. The over-all period may be either yearly or for a period of several years. The budget set up for the yearly period may be scheduled from 1 January, 1 April, or 1 July. Decisions for the schedule should be based on the seasonal fluctuations of income and expenditure, and shall be decided in each case according to conditions.

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Each budget shall contain a reserve fund to cover expenses which cannot be anticipated. The reserve fund will be fixed in accordance with existing conditions.

There shall be a balance between income and expenditures. Income will consist of taxes, bonds, industrial income, surplus from the previous year, etc. Expenditures will include all sums to be expended under the budget. Both income and expenses will consist of permanent and temporary types. Although budgets of lower categories will not necessarily balance (for example, some agencies deal only with income), the general budget at a given level shall show a balance.

Implementation of the budget shall begin with the central government and proceed downward to the local governments, since the budgets of all levels of the central government and local governments will be included in the budget of the central government.

Compilation and Approval of the Budget

The general sequence followed in drafting and approving the budget is outlined below:

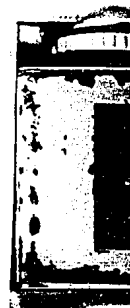
1. The Ministry of Finance draws up the outline budget.
2. The Ministry of Finance, in accordance with the directives and the approved outline budget from the Government Administration Council, issues orders for compilation of the budget.
3. Government organs at all levels, on the basis of these orders, draw up the plans for compiling the draft budget.
4. All agencies subordinate to government organs at all levels compile draft unit budgets and draft secondary unit budgets.
5. Finance departments, bureaus, and ministries at all levels examine and compile the draft of the general budgets and undertake the approval process.
6. The Ministry of Finance examines and compiles the draft of the national general budget, and presents it for approval.
7. The Government Administration Council publishes the approved national general budget and sends it down through the various levels of the government.

It can be seen that the sequence consists of first drafting the outline budgets which are to be used in compiling the general budgets; after the outline budgets are approved by the Government Administration Council in accordance with the needs of the national economy, the figures are sent down the chain of command to be compiled in the final general budgets at all levels.

The subordinate agencies shall compile draft budgets of income and expenditures in the following sequence:

1. Each economic agency will issue orders for its subordinate agencies to compile draft unit budgets.
2. Each subordinate agency, in addition to the budget for its own agency, will call for draft secondary unit budgets from those agencies subordinate to it.
3. Budgets will then be sent up from the lowest agency to the highest agency with final examination and approval to be made by the Government Administration Council.

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4. Budgets for military organizations will be compiled in accordance with the above sequence with the People's Revolutionary Military Committee serving as the highest organ.

The time schedule for compilation and approval of draft general budgets is as follows:

1. Hsien (and municipal of the same level) draft general budgets will be sent for approval to the provincial government before 15 August every year.
2. Provincial (and municipal of the same level) draft general budgets will be sent to the administrative area government before 15 September. Provincial and municipal governments directly responsible to the central government will forward their budgets to the Ministry of Finance on the same schedule.
3. Administrative areas and autonomous regions will send their draft general budgets to the Ministry of Finance before 15 October every year.
4. At each level below the administrative area, after approval by the finance and economic organ, the budget will go to the people's government councils at that level for further approval. At all levels, the People's Representative Conference or the All-Circles People's Representative Conference will exercise an approving function.

All nonadministrative agencies subordinate to the central government shall follow the following schedule in submitting draft budgets to superior organs.

1. All basic agencies will submit draft secondary unit budgets to their superior organs before 15 September every year.
2. All top level agencies will submit draft unit budgets to the Ministry of Finance of the Central People's Government before 15 October every year.
3. The defense budget will be submitted by the People's Revolutionary Military Council to the Ministry of Finance before 15 October every year.

The general budgets at all levels shall include the budgets of all economic enterprises which are subordinate to those particular levels.

Before 15 November every year, the Ministry of Finance shall present the national draft general budget, as approved by the Government Administration Council, to the People's Government Council for final approval. After approval by the Central People's Government Council, the Government Administration Council shall publish the final national budget to all lower levels before the end of November.

Budgets of the hsiang, ts'un, and chen shall be compiled in like manner and shall be presented to the provincial (or municipal on the same level) governments for approval.

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